

NCA
VOC FOR IOP/FM
BACKGROUNDER NO. 5-5770
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JAPAN'S EXPORT DILEMMA

ANNCR:

JAPAN, FACING INCREASING INTERNATIONAL PRESSURES TO TRIM ITS HUGE TRADE SURPLUS, HAS ANNOUNCED A THREE-PART PROGRAM TO PROMOTE IMPORTS, INCREASE FOREIGN AID, AND ADJUST DOMESTIC PRICES. BUT DOUBTS PERSIST AS TO WHETHER JAPAN CAN REVERSE ITS RISING EXPORT TREND, AS WE HEAR IN THIS BACKGROUND REPORT BY VOA'S VERA HIRSCHBERG.

VOICE:

JAPANESE PRIME MINISTER TAKEO FUKUDA WILL VISIT WASHINGTON NEXT WEEK FOR TALKS WITH PRESIDENT CARTER. HE WILL UNDOUBTEDLY OUTLINE THE PLANS OF HIS GOVERNMENT TO STIMULATE THE JAPANESE ECONOMY AND REDUCE JAPAN'S HUGE TRADE SURPLUS.

FOR THE PAST YEAR, THE CARTER ADMINISTRATION AND NATIONS OF WESTERN EUROPE HAVE BEEN URGING JAPAN TO TAKE SUCH MOVES, AND MISTER FUKUDA HAS KEPT HIS ECONOMIC PLANNERS BUSY RESPONDING TO THE PRESSURES. LAST WEEKEND, HIS GOVERNMENT ANNOUNCED A THREE PART PACKAGE DESIGNED TO CUT THE TRADE SURPLUS AND SPUR DOMESTIC CONSUMPTION. THE MEASURES INCLUDE A NEW FOREIGN-EXCHANGE LENDING SYSTEM TO BOLSTER EXPORTS, INCREASES IN FOREIGN AID, AND THE POSSIBLE LOWERING OF PRICES ON IMPORTS. EARLIER THIS MONTH, MISTER FUKUDA'S CABINET DREW UP AN ECONOMIC PLAN THAT WOULD PARE LOAN RATES, SPUR PUBLIC WORKS AND HOUSING CONSTRUCTION, AND HELP TO FOSTER A SEVEN PER CENT ECONOMIC GROWTH RATE IN THIS FISCAL YEAR. THE GOVERNMENT HAS ALSO ISSUED TRADE GUIDELINES TO JAPANESE EXPORTERS DESIGNED TO CURB EXPORTS OF SUCH MAJOR ITEMS AS CARS, STEEL AND TELEVISION

SETS. TOKYO'S MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY WARNED IT WOULD TAKE PROMPT ACTION IF EXPORTS ARE NOT CURBED.

BUT DESPITE THESE ACTIONS, JAPAN'S EXPORT BOOM CONTINUES, CONFOUNDING ECONOMISTS BECAUSE IT DEFIES CONVENTIONAL ECONOMIC THEORY. ACCORDING TO THE TEXTBOOKS, WHEN A COUNTRY'S CURRENCY RISES IN VALUE, ITS EXPORTS ARE SUPPOSED TO DROP BECAUSE THEY BECOME MORE EXPENSIVE. BUT THIS HAS NOT HAPPENED IN JAPAN'S CASE. EXPORTS TO THE UNITED STATES ALONE LAST MONTH ROSE BY MORE THAN 11 PER CENT, WHILE IMPORTS FROM THE UNITED STATES DROPPED ALMOST 25 PER CENT. IN TOKYO, OFFICIALS CONTEND THAT THE RISE IN EXPORTS WILL BE RELATIVELY SHORT TERM AND WILL BEGIN TO WANE THIS FALL. BUT SOME ECONOMISTS DISPUTE THIS VIEW, POINTING OUT THAT THE HIGH QUALITY OF SOME JAPANESE GOODS, SUCH AS WATCHES, TELEVISION SETS AND CARS, MAKE IT INEVITABLE THAT WORLD WIDE DEMAND FOR JAPANESE EXPORT ITEMS WILL REMAIN STEADY, REGARDLESS OF PRICE. ALSO FUELING THE EXPORT BOOM, THEY ARGUE, IS THE TENDENCY OF JAPANESE FIRMS TO EXPORT, EVEN AT LOW PROFITS OR AT A LOSS. THEY ARE WILL TO DO THIS, THE EXPERTS SAY, BECAUSE DOMESTIC DEMAND IS STAGNANT AND MARKETS ABROAD KEEP JAPAN'S INDUSTRIAL MACHINERY TURNING.

JS/PY